



Transmission Services

Self-Supply of Balancing Services Business Practice, Version 1

Response to Customer Comments

Posted: **March 24, 2014**

This document contains the Transmission Customer comments and Transmission Services' response to those comments for the Self-Supply of Balancing Services Business Practice, Version 1 Business Practice posted for review from February 28, 2014 through March 19, 2014

Thank you for your comments.

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1. Powerex Corp.

Powerex appreciates the opportunity to review and comment on the new Business Practice titled “Self-Supply of Balancing Services (Version 1)” (Self-Supply BP) proposed by BPA.

Powerex commends BPA for the significant time and effort it has expended to integrate a growing amount of Variable Energy Resources (VERs) in the region, and for its continuing search for regional solutions. BPA’s proposed Self-Supply BP represents a further initiative that has the potential to increase the efficiency and effectiveness of VER integration.

POWEREX COMMENTS

Powerex supports BPA’s efforts to integrate VERs, and believes that BPA’s efforts towards allowing self-supply and third-party supply options for ancillary services are moving the region overall to a better position. Powerex hopes that BPA through measures such as the Self-Supply BP will continue to encourage customers to self-supply at the level they are capable of reliably maintaining. Powerex believes several modifications in the Self-Supply BP should be considered to effectively advance this objective.

For example, Powerex is concerned that certain restrictions within the Self-Supply BP may have the unintentional effect of erecting barriers to more robust wind integration in the region. Modifying the proposal to eliminate these restrictions could increase effective self-supply by VERs, reduce the burden of wind integration on BPA, and make the program more consistent with FERC’s self-supply policies.

A. Suggested Modifications to the Self-Supply BP

The Self-Supply BP requires customers to self-supply either all or none of the Balancing Services (albeit with the option of obtaining Generation Imbalance Reserves through the Customer Supplied Generation Imbalance (CSGI) program). Powerex suggests that this all-or-nothing approach is too restrictive. If this restriction is lifted, and VERs are allowed to self-supply the unbundled components of Balancing Services, then the program would be more useful to VERs, and the program would be in line with FERC comparability requirements. Powerex therefore suggests that BPA expand the Self-Supply BP to allow for unbundled Balancing Services.

BPA’s Balancing Services can be separated into essentially six different products: INC-only and DEC-only products for each of the following services: regulation, load

following, and generation imbalance services. BPA has, in effect, acknowledged that these are separate products. For example, in the CSGI program, participants are allowed to acquire just generation imbalance service. And most notably, BPA itself is procuring from third-parties INC-only imbalance capacity through its Request for Offer process. FERC too has recognized that INC-only and DEC-only products are distinguishable and separate products. See *California Independent System Operator Corp.*, 140 FERC ¶ 61,206 at P 7 (2012); *California Independent System Operator Corp.*, at n.3, Docket Nos. ER13-995-000 and ER13-1055-000 (Apr. 26, 2013) (unpublished letter order) (stating that regulation service includes both an incremental or decremental component, and the two are “distinct capacity products”).

Powerex has had extensive experience in providing these types of unbundled products to other balancing authority areas and, as evidenced by the two examples above, Powerex

believes that there are no operational considerations that would prevent BPA from allowing customers to self-supply INC-only and DEC-only products. In Powerex's experience, INC-only services are a viable commercial product that can be reliably traded and reliably delivered, and Powerex believes that it can offer high quality, INC-only services year-round at attractive prices.

Powerex also notes that different resources are capable of providing different Balancing Services. Load curtailment, for example, is a potential INC resource, but likely cannot provide a DEC-only product. Unbundling Balancing Services into six different products would allow for broader competition to provide these services; benefit BPA's customers; and would result in the VERs' integration challenges in the region not being borne solely by the BPA federal system.

Transmission Services' Response

The Self-Supply of Balancing Services program developed by BPA is available on a comparable basis as the Balancing Services BPA provides to its customers. The Variable Energy Resource Balancing Service (VERBS) in the 2014 Ancillary and Control Area Services (ACS) Rate Schedule is an INC and DEC service for regulation reserves, following reserves, and imbalance reserves. A Self-Supply Customer must provide for the reserve service that would otherwise be provided by BPA.

A Self-Supply Customer is obligated to provide all of its reserve needs for INC and DEC, regulation reserves, following reserves, and imbalance reserves. Each of these may be individually obtained on an unbundled basis from different Self-Supply Balancing Resources. BPA recognizes that different Self-Supply Balancing Resources may be better at providing certain components of the service than other resources. Therefore BPA encourages a Self-Supply Customer to use a portfolio of Self-Supply Balancing Resources to meet its total reserve obligations.

Section A.4 and other sections will be updated to help make clearer the total minimum requirements of a Self-Supply Customer and the ability to secure these on an unbundled basis from multiple Self-Supply Balancing Resources. Section A.4 will be updated to "Supply the Incremental and Decremental components for regulation reserves, following reserves, and imbalance reserves as defined in an executed Self-Supply of Balancing Services Participation Agreement."

B. Consistency with FERC Precedent

Powerex believes that the unbundled approach of providing Balancing Services is consistent with FERC's current policies and existing precedent regarding self-supply offerings, and will satisfy BPA's reciprocity obligation and further BPA's overall objective to efficiently integrate VERs.

In Order No. 888, FERC divided ancillary services into two groups: one group which had to be supplied by the transmission provider, and a second group that could be self-supplied by transmission customers. FERC noted that this second group is comprised of "(i) Regulation and Frequency Response, (ii) Energy Imbalance, (iii) Operating Reserve—

Spinning, and (iv) Operating Reserve—Supplemental.” FERC required transmission providers to both offer this second group of ancillary services themselves and to extend a self-supply option to their transmission customers. FERC made it clear that these ancillary services were separate and distinct services that could be purchased and/or self-supplied separately, stating, “a transmission provider must offer and price the individual ancillary services separately,” and “[i]t may not tie the purchase of one to the purchase of another.”

FERC has recently gone further and clarified that an “all or nothing” approach to self-supply is in conflict with its precedent and policy. In Order No. 784-A regarding the

Third-Party Provision of Ancillary Services, FERC ruled that it was not permissible for transmission providers to impose charges on customers who seek to self-supply; or for transmission providers to adopt an all-or-nothing approach that requires customers to self-supply 100 percent of their reserve obligations or to procure all reserves from the transmission provider. Specifically, FERC stated that “[n]othing in Order No. 784 is intended to permit transmission providers to limit the quantity or percentage of total reserve obligations that a customer may self-supply, absent verifiable operational reasons for doing so.” FERC also stated that “there is nothing in the OATT limiting the quantity or percentage of total reserve obligation that a transmission customer may self-supply.”

Powerex believes that any operational or reliability concerns by BPA should be satisfied by: (1) BPA’s proposed pre-qualification screening of Self-Supply Balancing Resources and their owners and operators; (2) BPA’s proposed firm transmission reservation requirements; (3) BPA’s proposed sanctions if a Self-Supply Customer does not meet its obligations; and (4) BPA’s backstop supply arrangement with provision for direct assignment of the costs incurred. These measures should continue to provide adequate protection to BPA if it expands its Self-Supply BP to allow for unbundled election of Balancing Services self-supply options by VERs.

Transmission Services’ Response

BPA is allowing for the Self-Supply of Balancing Services on a comparable basis that BPA provides to its customers. BPA does offer and price each of its Ancillary Services separately. Additionally, BPA provides for the Self-Supply of Operating Reserves separate from the Self-Supply of Balancing Services. Self-Supply Customers can, and have, elected to Self-Supply Operating Reserves separate from Balancing Services. BPA further notes that there were no customer elections to Self-Supply Regulation and Frequency Response or Energy Imbalance for the FY 2014-2015 ACS rate period.

By developing a Base Service and Full Service Self-Supply of Balancing Services for a variable energy resource (VER) and the Customer Supplied Generation Imbalance program (CSGI) BPA believes it is providing customers with multiple choices for meeting their reserve obligation. BPA offers the Customer Supplied Generation Imbalance (CSGI) service where a customer may take regulation and following reserves from BPA and provide their own imbalance reserves. Furthermore, there are no requirements in either Self-Supply of Balancing Services programs or CSGI that limits the quantity or percentage of total reserve obligation a transmission customer may Self-Supply. The quantities detailed in both business practices establish the minimum reserve obligation that a Self-Supply Customer or CSGI participant must provide. A

Self-Supply Customer or CSGI participant may provide more than the minimum amount established by BPA.

CONCLUSION

Powerex views the modifications it has outlined in these comments as being consistent with BPA's overall objectives and specific efforts to integrate VERs in the region. We ask that BPA consider these comments and modify the Business Practice to allow customers to self-supply any or all of the incremental and/or decremental components for regulation, following, and generation imbalance. A business practice that permits flexible options for self-supply would be a major step towards realizing BPA's goal of a region-wide solution to the challenges of wind integration, and would also serve to put BPA's proposal on-side with FERC self-supply policies.

2. Southern California Edison

Southern California Edison (SCE) appreciates the opportunity to comment on Self-Supply of Balancing

Services Version 1 Business Practice. If you have any questions, please contact: John Zoida, (626) 302-3336, john.zoida@sce.com.

Comment 1: Unclear of the intent of the following sentence under Section D. 6.: "a. Except for the replacement of a resource due to a contingent event as provided for in Section I of this business practice."

Transmission Services' Response

Section D.6.a should reference Section M. The business practice will be updated to correct the reference.

Comment 2: Ensure consistent capitalization of "Variable Energy Resource" and "variable Energy Resource Balancing Services" throughout the document.

Transmission Services' Response

BPA agrees and will make the appropriate edits.

Comment 3: At least on a high level, please offer additional text to elaborate on the following sentence under Section E. to explain (perhaps with an example) why there would be more than one Centriod:

"1. BPA may designate more than one Self-Supply Centroid to facilitate the Self-Supply of Balancing Services Program."

Transmission Services' Response

More than one centroid may need to be established in cases where one wind farm has multiple plants for output that are not netted together.

Comment 4: Please revise the following sentence under Section G. 1. as follows:

“The reserve requirement will be communicated to each Self-Supply Customer on a planning basis at the start of the rate period for each month of the rate period, as the reserve requirement quantity may differ from month to month.

Transmission Services' Response

The business practice will be updated with the suggest language.

Comment 5: Regarding the following sentence under Section G. 1.a., “ 1. If for any month during the rate period the reserve requirement for the Self-Supply Customer changes by more than 1 MW....”, does BPA recognize that there can be a 1 change MW each month (so, a 24MW change over a 24-month Rate Period) whereby the Self Supply Customer won't be required to increase or decrease its reserve requirement?

Transmission Services' Response

Section G.1.a.i will be updated to say “changes by 1 MW or more” to be clear that single megawatts will be considered an increase in reserve requirements.

Comment 6: Please revise the following sentence under Section J. 1. as follows: “c. BPA Transmission Services will notify the Self-Supply Customer of a strike by letter or email, or phone call within 24 hours of such strike occurring.

Transmission Services' Response

BPA agrees a timeframe for notification of a strike maybe helpful to the Self-Supply Customer, however, 24 hours is not sufficient to time do so. The business practice will be updated to read, “by letter or email within 10 business days of such strike occurring.”

Comment 7: In the following sentence under Section J. 1., “e. BPA reserves the right to selectively limit generation or selectively curtail generation schedules submitted by a Self-Supply Customer that does not supply sufficient capacity or energy to meet its Self-Supply obligations.”, please explain why BPA wants the right to limit a resource's generation that isn't generating adequate quantities. Without an understanding,

SCE recommends to eliminate this sentence.

Transmission Services' Response

BPA may selectively limit the generation of a Self-Supply Customer if the customer's Self-Supply Balancing Resource providing DEC's does not respond when directed.

Comment 8: Please revise the following sentence under Section J. 2. as follows:

"b. If a Self-Supply Balancing Resource receives three strikes in a rolling 30 day calendar period because of the failure of the Self-Supply Balancing Resource to deploy the amount of energy dispatched by BPA Transmission Services, the Self-Supply Balancing Resource, not necessarily the Self-Supply Customer, will be disqualified from providing Balancing Services.

Transmission Services' Response

BPA does not believe the suggested edit is necessary. For this requirement the Self-Supply Balancing Resource will be disqualified, not the Self-Supply Customer.

Comment 9: Please revise the following sentence under Section K. as follows:

"2. A Self-Supply Customer and the owner or, if applicable, the operator, of a Self-Supply Balancing Resource are subject to Dispatcher directives.

Transmission Services' Response

Section K will be edited to further clarify that the Self-Supply Customer and the Self-Supply Balancing Resource are subject to Dispatcher Directives and when applicable the Failure to Comply Penalty Charge.

1. Portland General Electric

Self-Supply of Balancing Services Business Practice, 1

Portland General Electric comments for BPA Self-Supply of Balancing Services Business Practice, Version 1

Portland General Electric Company (PGE) appreciates the opportunity to comment on Bonneville Power Administration's (BPA) business practice "Self-Supply of Balancing Services, Version 1. PGE values the investment BPA puts into creating innovative operating business practices for integration of variable energy resources. As a Variable Energy Resource Balancing services (VERBs) and Point to Point (PTP) transmission customer, PGE has considerable interest in flexible options for the integration of variable resources on BPA's system. PGE provides the following three recommendations for consideration.

PGE recommends BPA adjust the business practice to allow explicit use of a specified Balancing Area Authority to provide incremental or decremental balancing components. In the Self-Supply of Balancing Services, Version 1, section A.2 states the customer must "Identify the generation facilities for which it

desires to self-supply Balancing Services;”. PGE recommends additional language to allow for self-supply of Balancing Services components from a WECC Balancing Authority Area system boundary. The recommended change to A.2 might read; “Identify the generation facilities or WECC Balancing Area Authority system boundary for which it desires to self-supply Balancing Services;”

Transmission Services’ Response

Section A.2 is calling for the identification of the generating facilities of the Self-Supply Customer. BPA believes PGE’s suggested edits are contained in Section A.6. This section is calling for the identification of resources that will provide the Balancing Services to the Self-Supply Customer. Balancing Resources identified in Section A.6 may be a WECC Balancing Authority Area. See the Balancing Service Resources Prequalification Business Practice for further details on Balancing Resources external to BPA’s BAA.

PGE also recommends Self-Supply Customers be allowed to supply incremental and decremental components individually or in any combination. PGE believes that allowing the option to elect individual components will improve participation in the program. PGE recommends the following revision as a first step in re-shaping the business practice. In the General Requirement section of the business practice, A.4 currently states “Supply all incremental and decremental component for regulation, following, and generation imbalance;”. PGE recommends a revision of the language to rely on an executed Self-Supply of Balancing Services Participation Agreement to define components to be supplied by the Self-Supply Customer. A change to the general requirement A.4 might read; “Supply the incremental and decremental components for regulation, following, and generation imbalance as defined in an executed Self-Supply of Balancing Services Participation Agreement;”

Transmission Services’ Response

BPA will update Section A.4 with the suggested edit. However, it should be noted that a Self-Supply Customer must make available, at a minimum, its total reserve obligation of INCs and DEC’s for regulation reserves, following reserves, and imbalance reserves. These can be obtained on an unbundled basis from a portfolio of Self-Supply Balancing Resources. Additionally, the Customer Supplied Generation Imbalance program provides customers with the ability to procure regulation and following reserves from BPA and provide their own imbalance reserves.

Finally, under Section J, “Failure to Meet Self-Supply Obligations” 1.C and 2.C, PGE recommends the following changes would make it easier for customers to monitor strike tracking as telephone communications are difficult to document;

- 1.C “BPA Transmission Services will notify the Self-Supply Customer of the occurrence of a strike and the current 30-day strike count by letter or email.”
- 2. C “BPA Transmission Services will notify the Self Supply Balancing Resource and the Self-Supply Customer of the strike occurrence of a strike and the 30 day strike count by letter or e-mail.”

Transmission Services' Response

In addition to the edits as a result of Comment #6 by SCE these bullets will be edited to include the 30-day strike count.

PGE believes that allowing an a-la-cart self-supply approach to incremental and decremental components, allowing Balancing Area Authority system boundary supply and improving strike notification documentation increases flexibility, communications and entices participation in the Self-Supply program.